

The Managed Risk Medical Insurance Board 2008-09 Budget As Revised by the May Revision

The 2008-09 Governor's Budget for the Managed Risk Medical Insurance Board (MRMIB) supports services to improve the health of Californians. Closing the State's substantial structural budget gap requires significant action. In the Governor's Budget, the total MRMIB budget was \$1,275,657,000. Of this amount, \$12,364,000 was for state operations and \$1,263,293,000 was for local assistance. Budget Balancing Reductions in the Governor's Budget totaled \$117,963,000 (\$41,899,000 General Fund). The May Revision provides a total of \$1,276,748,000 for all of MRMIB's programs. Of the proposed amount \$12,031,000 is for state operations and \$1,264,717,000 is for local assistance. MRMIB's budget balancing proposals total \$102,165,000 (\$37,144,000 General Fund).

MRMIB 2008-09 State Operations

State Operations by Program*			
Program Title	Program	2008-09 Proposed	
		Gov. Budget	May Revision
HFP	40	\$9,702	\$9,369
AIM	20	\$953	\$953
CHIM	50	\$486	\$486
MRMIP	10	\$1,223	\$1,223
Total State Operations		\$12,364	\$12,031

State Operations by Fund Source*		
Fund Source	2008-09 Proposed	
	Governor's Budget	May Revision
General Fund (GF)	\$2,601	\$2,485
Federal Funds (FF)	\$7,434	\$7,217
Special Funds and Reimbursements	\$2,329	\$2,329
Total State Operations	\$12,364	\$12,031

MRMIB 2008-09 Local Assistance

Local Assistance by Program*			
Program Title	Program	2008-09 Proposed	
		Gov. Budget	May Revision
HFP	40	\$1,190,353	\$1,180,309
HFP Reductions	40	\$(117,963)	\$(102,165)
AIM	20	\$153,739	\$146,560
CHIM	50	\$2,388	\$2,298
MRMIP	10	\$34,776	\$37,715
Total Local Assistance		\$1,381,256	\$1,366,882
Total Local Assistance after Reductions		\$1,263,293	\$1,264,717

Local Assistance by Fund Source*		
Fund Source	2008-09 Proposed	
	Governor's Budget	May Revision
General Fund (GF)	\$429,737	\$427,090
<i>GF Savings (HFP Reductions)</i>	<i>\$(41,899)</i>	<i>\$(37,144)</i>
Federal Funds (FF)	\$838,779	\$827,662
<i>FF Savings (HFP Reductions)</i>	<i>\$(76,064)</i>	<i>\$(65,021)</i>
Special Funds and Reimbursements	\$112,740	\$112,130
Total Local Assistance	\$1,381,256	\$1,366,882
Total Local Assistance after Reductions	\$1,263,293	\$1,264,717

*Dollars in thousands

Total MRMIB 2008-09 Budget

MRMIB Budget by Fund Source*		
Fund Source	2008-09 Proposed	
	Governor's Budget	May Revision
General Fund (GF)	\$432,338	\$429,575
<i>GF Savings (HFP Reductions)</i>	<i>(\$41,899)</i>	<i>(\$37,144)</i>
Federal Funds (FF)	\$846,213	\$834,879
<i>FF Savings (HFP Reductions)</i>	<i>(\$76,064)</i>	<i>(\$65,021)</i>
Special Funds and Reimbursements	\$115,069	\$114,459
Total Funds	\$1,393,620	\$1,378,913
Total Funds (with HFP Reductions)	\$1,275,657	\$1,276,748

**Dollars in thousands*

2008-09 Enrollment Levels by Program

Healthy Families Program

The Governor's Budget projected a year end total enrollment of 954,252. For the May Revision budget year estimate assuming no budget balancing reductions, MRMIB projects a year-end total enrollment of 935,482 subscribers. This is an increase of 54,483 subscribers compared to the 880,999 projected subscribers for the current year. This increase in enrollment results in a budget year total growth rate of 6.2 percent over the current year. Assuming the implementation of budget balancing reductions on November 1, 2008, MRMIB projects an annual enrollment reduction of 2.2 percent for the budget year. The 2.2 percent enrollment reduction equates to 19,190 fewer enrollees.

Access for Infants and Mothers Program

The Governor's Budget projected a total annual enrollment of 15,836 subscribers. For the May Revision, MRMIB projects a total annual enrollment of 13,907 subscribers. This is an increase of 1,259 subscribers compared to the 12,648 projected subscribers for the current year May Revision estimate. This increase in enrollment results in a budget year total growth rate of 10 percent over the current year.

Major Risk Medical Insurance Program

In the budget year, the Major Risk Medical Insurance Program projected 7,577 subscribers based on the PWC Enrollment Estimate dated September 13, 2007. This is a reduction of 6.5 percent compared to FY 2007-08 enrollment. As of May 10, 2008, 642 applicants have been waitlisted.

County Children's Health Initiative Matching Fund Program

The Governor's Budget projected annual enrollment of 1,891 subscribers. For the May Revision budget year estimate, MRMIB projects a total annual enrollment of 1,838 subscribers. This is an increase of 57 subscribers compared to the 1,781 projected subscribers for the current year May Revision estimate. This increase in enrollment results in a budget year total growth rate of 3.2 percent over the current year.

2008-09 Budget Balancing Reductions

Healthy Families Program

Annual Benefit Limit for Dental Coverage

- An annual benefit limit of \$1,000 for dental coverage will be established. MRMIB's actuary estimates that 5 percent of HFP subscribers will reach the benefit limit.
- In the Governor's Budget, it was estimated that this change would result in a savings of \$6.3 million General Fund and \$11.4 million Federal Funds. The May Revision assumes that this proposal will result in a savings of \$3.0 million General Fund (GF) in FY 2008-09. This reduction also decreases Federal Funds needed by \$5.3 million. The Governor's Budget assumed a July 1, 2008 implementation date and assumed that this change would result in reduced rates of 12 percent. The May Revision assumes an 8.5 percent plan rate reduction to dental provider organizations (DPOs) and a 3 percent reduction to dental maintenance organizations (DMDOs).
- To implement in the FY 2008-09 benefit year, necessary statute changes need to be made by July 1, 2008, and implemented by November 1, 2008.

Increase Premiums for Subscribers Over 150 Percent FPL

- The statewide increase in subscriber premiums will be an average of \$3 per child per month. Premiums for families with incomes at or below 150 percent (Federal Poverty Level) FPL (Category A) will not increase. Premiums for families with incomes between 151 and 200 percent FPL (Category B) will increase from \$9 per child per month to \$16 per child per month, an increase of \$7 per child per month. The premium for the family value package for this category will increase from \$27 to \$39 per month. Premiums for families with incomes above 200 percent FPL (Category C) will increase from \$15 per child per month to \$19 per child per month, an increase of \$4 per child per month. The premium for the family value package for this category will increase from \$45 to \$48 per month.
- In the Governor's Budget, it was estimated that this change would result in a savings of \$11.1 million General Fund and \$20.2 million Federal Funds. The May Revision assumes that this premium increase will result in a FY 2008-09 GF savings of \$18.0 million and will reduce Federal Funds needed by \$30.6 million. The Governor's Budget assumed a July 1, 2008 implementation date and did not reflect a caseload impact.
- As a result of increasing premiums, the May Revision assumes a 2.2 percent reduction in HFP enrollment for FY 2008-09.
To implement in the FY 2008-09 benefit year, necessary statute changes need to be made by July 1, 2008, and implemented by November 1, 2008.

Increase Co-payments for Non-Preventive Services for Subscribers Over 150 Percent FPL

- An increase in co-payments from \$5 to \$7.50 for non-preventive services for families with incomes over 150 percent of FPL. MRMIB estimates this will reduce health plan rates by 1.25 percent.
- In the Governor's Budget, it was estimated that this change would result in a savings of \$3.4 million General Fund and \$6.2 million Federal Funds. The May Revision assumes that the increase in co-payments will result in a General Fund savings of \$1.9 million and will reduce Federal Funds needed by \$3.3 million for FY 2008-09. The Governor's Budget assumed a July 1, 2008 implementation date and a 1.25

percent reduction to health, dental and vision plan rates associated with reduced utilization due to increased co-payments. The May Revision assumes a 1.5 percent rate reduction to health plans only.

- To implement in the FY 2008-09 benefit year, necessary statute changes need to be made by July 1, 2008, and implemented by November 1, 2008.

Reduce HFP Plan Rates by 5 Percent

- Capitation payments to all health, dental and vision plans (across all subscriber age groups) will be reduced by five percent from the FY 2007-08 rates. Rates are typically negotiated beginning in January of each year and approved by the Board in March of each year.
- In the Governor's Budget, it was estimated that this change would result in a savings of \$22.4 million General Fund and \$40.7 million Federal Funds. The May Revision assumes that this rate reduction will result in a FY 2008-09 GF savings of \$14.4 million and will reduce Federal Funds needed by \$26.2 million. The Governor's Budget assumed a July 1, 2008 implementation date and did not assume a fiscal impact associated with the potential changes to service areas resulting from the plan rate reductions
- To implement in the FY 2008-09 benefit year, necessary statute changes need to be made by July 1, 2008, and implemented by November 1, 2008.

2008-09 Reductions due to Declining Proposition 99 Revenues

Healthy Families Program

Rural Health Demonstration Project

- Due to declining revenues in Proposition 99, the Rural Health Demonstration Project (RHDP) is reduced by \$3,265,714 compared to the 2007 Budget Act funding level of \$5,848,571. RHDP funding for 2008-09 is \$2,582,857. This has not changed from the Governor's Budget.

Consumer Assessment of Plans Survey

- Due to declining revenues in Proposition 99, the annual Consumer Assessment of Plans Survey will not be funded for FY 2008-09. This has not changed from the Governor's Budget.

Major Risk Medical Insurance Program

Due to declining Proposition 99 revenues, the May Revision continues a reduced funding level for the Major Risk Medical Insurance Program totaling \$37,715,000 (\$2,285,000 less than the base \$40,000,000). This is an increase of \$2.9 million over the amount proposed for MRMIP in the Governor's Budget.

2008-09 Other Significant Budget Decisions

Healthy Families Program

- Delay of Senate Bill (SB) 437. The Governor's Budget does not fund the implementation of self-certification of income during a family's Annual Eligibility Review and other changes associated with SB 437.
- No cost sharing increases for subscribers up to 150 percent of FPL.
- No reduction to HFP income eligibility levels.
- No reduction to Certified Application Assistance payments.
- Funding for an all-time high of more than 935,000 children are expected to be served by the end of next fiscal year.
- Healthy Families will continue to provide the full range of health and vision coverage for eligible children including preventive and emergency care, prescription drugs and hospitalization.
- Despite the modest increases in co-pays and premiums, coverage for Health Families will remain affordable for eligible working families.

Access for Infants and Mothers Program

- No cost sharing increases.
- No reduction to AIM income eligibility levels.

State Children's Health Insurance Program Funding

The State Children's Health Insurance Program (SCHIP) established by Title XXI of the Social Security Act is a major source of funding for HFP, AIM and CHIM. On December 29, 2007, President Bush signed legislation re-authorizing SCHIP through March 2009. The legislation signed by President Bush included sufficient funding for shortfall states, such as California, to maintain projected enrollment levels through March 2009.